

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 9600

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E.O. 11652: N/A

TAGS: ENRG, MY

SUBJ: RAZALEIGH COMMENTS ON LEGISLATION ON OIL DISTRIBUTORS

REF KUALA LUMPUR 1964, 1891, 1862, 1860, 1834; STATE 79395, 78498

1. EMBASSY INFORMED THAT SHELL MALAYSIA MET WITH TENGKU RAZALEIGH, CHAIRMAN OF PETRONAS, APRIL 15 REGARDING PETROLEUM DEVELOPMENT (AMENDMENT) ACT, 1975. RAZALEIGH MADE FOLLOWING PRINCIPAL POINTS:

A. GOM FELT THEY HAD TO HAVE SOME DEVICE TO GAIN EFFECTIVE CONTROL OVER OIL DISTRIBUTION COMPANIES (WHICH ARE ALL FOREIGN). ONLY ALTERNATIVE TO FULL NATIONALIZATION, WHICH GOM DID NOT WANT TO DO, WAS DEVICE OF MANAGEMENT SHARES.

B. PETRONAS DOES NOT HAVE SUFFICIENT FUNDS AT PRESENT TO PURCHASE SUBSTANTIAL EQUITY IN EXISTING OIL DISTRIBUTION COMPANIES.

C. GOM DOES NOT NECESSARILY INTEND TO IMPLEMENT ACT UP
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TO FULL POWERS PROVIDED THEREIN.

D. PETRONAS IS CURRENTLY REVIEWING LIST OF COMPANIES IN MALAYSIA TO DETERMINE WHICH FIRMS WILL BE REQUIRED IMMEDIATELY ISSUE MANAGEMENT SHARES WHEN ACT BECOMES EFFECTIVE, I.E., DATE ACT IS GAZETTED.

E. RAZALEIGH EXPECTS PRIME MINISTER TO GAZETTE ACT ON APRIL 29. ANTICIPATES NO PROBLEM IN PRO FORMA PASSAGE BY SENATE (BILL INTRODUCED IN SENATE TODAY APRIL 17) AND SIGNING BY KING.

2. IN RELATED DEVELOPMENT, INTERNATIONAL CHAMBER OF COMMERCE (ICC), WHICH INCLUDES MOST FOREIGN COMPANIES IN NON-RELATED INDUSTRIES).

STRONG EXPRESSION OF SENTIMENT NOT MAKE FURTHER INVESTMENT IN MALAYSIA BECAUSE OF DETERIORATING BUSINESS CLIMATE OVER PAST SIX TO NINE MONTHS BROUGHT ABOUT BY ACT ON OIL DISTRIBUTORS, LICENSING BILL, EXCESS PROFITS TAX, LABELLING REQUIREMENTS AND OTHER INCREASED GOM RESTRICTIONS ON ACTIVITIES. FELT THAT IF ACT NOT SUCCESSFULLY CHALLENGED, SAME FORMULA WOULD BE APPLIED IN FUTURE TO OTHER SECTORS, ESPECIALLY MINING AND PLANTATIONS. PRIME MINISTER'S STATEMENT IN LONDON, WHICH WAS READ AT MEETING, DID LITTLE IF ANYTHING TO ALLAY FEARS OF FOREIGN BUSINESSMEN. ICC BOARD IS CONSTRAINED BY FACT THAT ICC AND OTHER BUSINESS CHAMBERS IN MALAYSIA ARE PART OF OVERALL MALAYSIAN CHAMBERS OF COMMERCE, WHOSE PRESIDENT IS TENGKU RAZALEIGH, BUT IS PREPARING MEMO FOR PRESENTATION TO PM UPON HIS RETURN. UNDERHILL

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